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Message Text

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43
ACTION AF-18

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 PA-04 PRS-01 USIA-15

DRC-01 /119 W
---------- 075473
R 261250Z APR 74
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 8040

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E.O. 11652: N/A
TAGS: EGEN, SU
SUBJ: BUSINESS INQUIRY - GUM ARABIC

REF: (A) STATE 081822; (B) KHARTOUM 649

1. SUMMARY: GUM ARABIC CORPORATION (GAC) REPORTS OUTSTANDING RESPONSE TO GUM TENDER WITH PRICES OFFERED BEING SIX TO SEVEN TIMES THOSE OFFERED LAST SEASON. SALES BASICALLY AWARDED ON BASIS HIGHEST BIDS, BUT END RESULT WAS THAT US BUYERS GOT OVER 50 PERCENT OF TOP QUALITIES OFFERED. NEXT SALE MAY REVERT TO FIXED PRICE SYSTEM, BUT THIS DECISION WILL DEPEND IN PART ON SUCCESS INTERNAL MARKETING PROCESS. POSSIBILITY EXISTS ADDITIONAL AMOUNT LOWER QUALITY TALHA RPT TALHA WILL ALSO BE AVAILABLE IF TRADITIONAL BUYER, INDIA, NOT PREPARED MEET WORLD PRICE LEVELS. END SUMMARY.

2. EMBOFF MET WITH OSMAN MUHAMNAD EL-HASSAN, DIRECTOR, GAC, APRIL 25 TO REVIEW OUTCOME GAC TNDER SALES OF GUM ARABIC (REF B). FOLLOWING INFTXN AS AL-HASSAN REPORTED IT, MAY BE PASSED LICHTENSTEIN (REF A) AS WELL AS OTHER INTERESTED US BUYERS.

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3. RESPONSE TO TENDER CALL HAD BEEN OUTSTANDING WITH TOTAL

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BIDS OF 45,000 MT FOR 6,500 MT OFFERED. AS A RESULT GAC
HAD BEEN FORCED INCREASE TOTAL OF HASHAB OFFEREDARMUJ5,000
TO 6,000 MT. PRICES WERE EYE-OPENING. COMPARED TO FIXED
RATE OF $676 PER MT AT START LAST SEASON, BIDS THIS YEAR HAD
RANGED FROM LOW OF $3300 FOR HASHAB CLEANED TO HIGH OF
$4600 FOR HASHAB HAND-PICKED SELECTED. FOR LESSER QUALITY
TALHA SUCCESSFUL BID HAD BEEN IN VICINITY $1550. IT THEREFORE
EMBASSY'S FOUGH ESTIMATE THAT PROCEEDS THIS ONE SALE
ALREADY WELL EXCEED THOSE FOR TOTAL 1972/73 CROP.

4. AS FOR POLICY USED IN MAKING SELECTION AMONG COMPETING
BIDS, APPARENTLY REVIEW WITH MINISTRY FINANCE AND NATIONAL
ECONOMY HAD RESULTED IN DECISION SIMPLY DRAW LINE AT
CERTAIN FUGURE (NOT NAMED BY AL-HASSAN) AND ACCEPT ALL BIDS
ABOVE THAT AMOUNT. WHILE THIS SYSTEM ON SURFACE SOMEWHAT
INCONSISTENT WITH EARLIER PLEDGES INSURE SOME PROTECTION
TO TRADITIONAL BUYERS, IN PRACTICE US BIDDERS (WITH STEIN
HALL PARTICULARLY PROMINENT) AWARDED TOTAL SOME 3,200 MT
OR 54 PERCENT OF HASHAB IN THIS FIRST LOT. AL-HASSAN DID
ACKNOWLEDGE THAT SOME AMERICAN BUYERS HAD BEEN TURNED
DOWN, BUT HE STRESSED HIS PLEASURE THAT SYSTEM HAD
RESULTED IN SUCH SUBSTANTIAL SHARE GOING TO US MARKET
(WELL ABOVE ONE-THIRD SHARE WHICH HAS BEEN US AVERAGE
OVER RECENT YEARS).

5. AS FOR FUTURE POLICY, AL-HASSAN SAID THIS STILL UNDER
STUDY. SOME THOUGH NOW BEING GIVEN TO REVERTING TO FIX
BID WITH PRICE SET ON BASIS EXPERIENCE WITH FIRST TENDER.
TIMING AND PERHAPS DECISION ITSELF WILL DEPEND ON
PROGRESS IN GATHERING GOM AND GETTING IT TO PORT SUDAN.
AL-HASSAN CLAIMED THIS GOING WELL WITH GAC NOW GOING
TO PRODUCTION CENTERS AND BUYING DIRECTLY WITHOUT
WAITING FOR MIDDLEMEN. FYI WE SOMEWHAT SKEPTICAL
OF THIS POSITIVE PICTURE. WE UNDERSTAND MIDDLEMEN,
AWARE OF HIGH PRICES BEING OFFERED, ARE STILL HOLDING
OUT FOR MORE OF CUT THEMSELVES. AND THIS WOULD APPEAR
BE CONFIRMED BY GAC DECISION ENTER DIRECTLY INTO
BUYING PROCESS. END FYI. EMBOFF EXPRESSED APPRECIATION
THAT SYSTEM FOLLOWED TO DATE HAD RESULTED IN SUCH
SUBSTANTIAL SHARE GOING TO US BUYERS, BUT ALSO
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OPINED THAT DECISION SET FIXED PRICE FOR NEXT LOT
WOULD UNDOUBTEDLY BE WELCOMED. THIS WOULD PRESUMABLY
GUARANTEE THAT THOSE WHO HAD LOST OT ON FIRST TENDER
COULD BE ASSURED OF SUPPLIES NEXT TIME AROUND.

6. ONE TRADITIONAL BUYER WHO STILL OUT IN COLD IS INDIA.
INDIANS TRADITIONALLY TAKE SOME 90 PERCENT OF TALHA
VARIETIES, BUT THEIR HIGHEST OFFER WAS IN VICINITY $1000.

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WHILE GOS HAVING PARTICULAR PROBLEM OF WISHING BALANCE TRADE ACCOUNT WITH INDIA (SUDAN NOW IS SUBSTANTIAL DEFICIT), GAC HAS IN EFFECT HELD UP ON SALES OF TALHA AWAITING VISIT OF INDIAN DELEGATION WHICH WILL TRY FIND MUTUALLY SATISFACTORY SOLUTION. WE EXPECT THAT UNLESS INDIANS PREPARED SUBSTANTIALLY INCREASE THEIR OFFERS, REQUIREMENT FOR HARD CURRENCY WILL AGAIN PREVAIL AND ADDITIONAL TALHA MAY BE AVAILABLE TO OTHER BUYERS.
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